MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BAC1634 – FINANCIAL ACCOUNTING & REPORTING 1

(All sections / Groups)

2 OCTOBER 2023
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FIVE (5)** pages, excluding the cover page with only **FOUR (4)** questions.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1

Part A

i. Briefly explain **5 (FIVE)** objectives of financial reporting.

(10 marks)

ii. States **2 (TWO)** qualitative characteristics of useful accounting information.

(5 marks)

Part B

Justify the **4 (FOUR)** advantages of proper accounting records to non-profit organisation.

(10 marks)

(Total: 25 marks)

QUESTION 2

The trial balance for Bright Growth is provided below:

Bright Growth
Trial balance as at 31 December 2022

	RM	RM
Account receivables	312,500	
Inventory as at 31 December 2022	119,750	
Cash and bank	139,450	
Land at cost	1,088,250	
Business premises at cost	625,000	
Equipment and machinery at cost	362,500	
Motor vehicles at cost	182,500	
Accumulated depreciation as at 1 January 2022		
- Business premises		120,000
- Equipment and machinery		109,000
- Motor vehicles		82,600
Investment	490,000	
Ordinary share capital as at 1 January 2022		1,677,000
Retained earnings as at 1 January 2022		204,750
8% Bank loan		112,500
Sales		3,105,000
Rental income		24,000
Investment income		18,900
Account payables		152,500
Cost of sales	1,916,000	
Director's remuneration	26,250	

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Auditor's fee	7,750	
Interest paid on bank loan	3,750	
Administration expenses	61,750	
Marketing and distribution expenses	30,800	
Tax paid	240,000	
	5,606,250	5,606,250

Additional information:

1. The land is not depreciated. Other property, plant and equipment are depreciated on a yearly basis as follows:

Equipment and machinery	10% on cost
Business premises	2% on cost
Motor vehicles	20% on carrying amount

2. Depreciation expense is classified as an administration expense, except depreciation on motor vehicles is treated as a distribution cost.

3. On 1 January 2022, a new motor vehicle was acquired at RM20,000 by cheque. This transaction has not been recorded in the company's book.

4. End of the year, the company decided to revalue land to RM1,250,000 and directors decided to incorporate this amount into the accounts for the year.

5. The bank loan was secured from a domestic bank on 1 January 2022.

6. The taxation expense for the year was estimated at RM260,000.

7. The directors suggested the following provisions to be made:
   a) A final dividend amounting RM80,625 to the ordinary shareholders.
   b) Director's remuneration outstanding of RM6,250.

Required:

Following the requirement of the MFRS101 *Presentation of Financial Statements*:

i. Prepare the statement of profit or loss and other comprehensive income for Bright Growth for the year ended 31 December 2022.

(12 marks)

ii. Prepare the statement of financial position for Bright Growth as at 31 December 2022.

(13 marks)

(Total: 25 marks)

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QUESTION 3

Part A

Zazada was incorporated in 2012, with accounting year-end at 31 December each year. The company has 4,000,000 ordinary shares with a fully paid-up capital of RM5,000,000.

On 1 July 2018, Zazada issued 1,375,000 million convertible preference shares at RM1.00 each. The convertible preference shares carry a gross dividend rate of 7.5%, payable semi-annually and convertible into ordinary shares at a rate of 2:1 from 1 January 2021 onwards.

The profits after tax for 2018 and 2019 were RM2,110,000 and RM4,120,000 respectively. Assume that the statutory tax rate is 24%.

Required:

i. Calculate the basic earnings per share for 2018 and 2019. Round up your answer to **2 (TWO)** decimal points.

(7 marks)

ii. Calculate the diluted earnings per share for 2018 and 2019. Round up your answer to **2 (TWO)** decimal points.

(7 marks)

Part B

Slay Berhad estimates 5% of bad debt from its year-end balance of accounts receivable for the year. During the year, the following transactions incurred:

Details	RM
Beginning balance accounts receivable	20,000
Beginning balance allowance for doubtful accounts	1,000
Credit sales for the year	112,500
Written off receivables during the year	500
Cash received from customers during the year	106,250

Required:

i. Compute the bad debts expenses.

(9 marks)

ii. Prepare the adjusting entry for bad debt.

(2 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Focus Berhad acquired machinery for its factory by cash. The details of the acquisition are as follows:

Quoted price	RM250,000
Delivery insurance	5% of quoted price
Shipment cost	RM4,000
Estimated repair and maintenance costs	RM5,000/annum
Annual insurance premium	RM4,000
Custom duties	RM1,500
Installation fees	RM2,000
Discount for cash acquisition	3% of quoted price
Salvage value	5% of initial cost
Estimated useful economic life	8 years

Required:

i. Calculate the initial cost of the machinery according to MFRS 116 *Property, Plant and Equipment.*

(10 marks)

ii. Record the entries for the acquisition of the machine.

(2 marks)

Part B

Yin and Yang is a partnership business established ten years ago by Stanley and Ross. Even though the business is doing good, they decided to dissolve their partnership on 31 December 2022. Both agreed that all profits and losses are to be shared equally.

The following summarises the partnership's statement of financial position as at 31 December 2022:

Details	RM	RM
Property (net)		75,000
Equipment (net)		35,000
Inventories		5,250
Accounts receivable		12,500
Cash		15,000
		142,750

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Accounts payable		7,500
Capital Accounts		
-Stanley	85,000	
-Ross	50,250	
		135,250
		142,750

After several discussions, they agreed to dissolve the partnership on the following term:

1. The business property was to be disposed at RM70,000.
2. All inventories will be sold at cost.
3. It was agreed that Ross was going to take up business equipment at a value of RM25,000.
4. RM500 discounts were granted to accounts receivable. All receivable settled the amount due.
5. The business paid its accounts payable in full.
6. The costs of dissolution would be RM2,750.

Required:

Prepare the following account for the partnership dissolution:

i. Realisation account.

(6 marks)

ii. Partners' capital account.

(3 marks)

iii. Cash account.

(4 marks)

(Total: 25 marks)

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